



Department of Child Support Services

Financial Integrity and State Manager's Accountability (FISMA) Report

December 2009

Department of Child Support Services
Office of Audits and Compliance

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
REPORT OF THE SYSTEM OF INTERNAL CONTROL
FOR THE BIENNIAL PERIOD ENDED DECEMBER 31, 2009**

TABLE OF CONTENTS

INTRODUCTION	3
BACKGROUND	3
MISSION	3
GOALS	3
CONTROL ENVIRONMENT	4
VACANT POSITIONS	4
RISK ASSESSMENT	
How it was performed	
Methodology used	4
Vulnerabilities	4
Focus of review	5
Audits performed	5
Audit finding status	5
EVALUATION OF RISKS AND CONTROLS	
Identified Issue 1- Information Technology	5
Identified Issue 2- Disaster Recovery	7
Identified Issue 3- Lack of Procedures	8
Identified Issue 4- Lack of Communication	8
Identified Issue 5- Human Resources	8
Identified Issue 6- Oversight of Counties	9
CONCLUSION	10

INTRODUCTION

In accordance with the Financial Integrity and State Manager's Accountability (FISMA) Act of 1983, Department of Child Support Services (DCSS) submits this report on the review of our systems of internal control for the biennial period ended December 31, 2009.

Should you have any questions please contact Barbara Owens, Audit Manager, at 464-5168 or barbara.owens@dcss.ca.gov.

BACKGROUND

The Child Support Enforcement Program is a Federal, State and local partnership, established in 1975 under Title IV-D of the Social Security Act, to ensure that noncustodial parents provide support to their children. The program collects child support payments from noncustodial parents for distribution to custodial parents or reimbursement to the federal, state and county general funds if the family is receiving public assistance. Within the U.S. Department of Health and Human Services, Administration for Children and Families, the Office of Child Support Enforcement (OCSE) provides Federal oversight by setting program standards and policy, evaluation of performance, and offering technical assistance. Within the state of California, DCSS supervises the child support program and receives Federal reimbursement, at a rate of 66 percent of program costs. Each Local Child Support County Office administers the operations for the Title IV-D program and maintains county records.

MISSION

The mission of the California Child Support Services Program is to promote the well being of children and the self-sufficiency of families by assisting both parents to meet the financial, medical, and emotional needs of their children through the delivery of quality child support establishment, collection and distribution services.

GOALS

The goals of DCSS are; 1) Improve the performance of California's Child Support Services Program; 2) Maintain and implement a single, statewide automated child support system; 3) Promote statewide consistency and efficiency of child support practices among the program's governmental partners; and 4) Enhance customer service to child support program clients.

CONTROL ENVIRONMENT

The control environment at DCSS continues to improve with the development of established policies and procedures in multiple areas. An example of this would be the new hiring procedures and manager training that were just implemented by the Human Resources Branch. In addition, management realizes the importance of working in an ethical environment and has developed an ethics policy which is posted to the DCSS Intranet.

The Department has made considerable progress in correcting many of the control deficiencies from the past. The achievement of correcting over 50 deficiencies was made successful by the full support and positive attitude of management in making it a department-wide priority.

The organizational structure is centralized which assists in facilitating the flow of information. DCSS has monthly meetings with managers to assure open communication flows both up and down the management chain. During these meetings each manager reports on their accomplishments, priorities, issues/concerns, departmental impacts, related workgroups or committees, and federal contacts. The information from these meetings is then communicated back to staff to ensure they are kept updated on Department activities and priorities.

VACANT POSITIONS:

Due to the current state budget crisis and conditions which exist in the hiring process DCSS continues to focus on filling the critical mission positions identified within the current 73 vacant positions.

RISK ASSESSMENT:

Methodology

DCSS performed their risk assessment utilizing interviews and questionnaires which were sent to over 50 managerial staff within the department. The questions addressed topics such as; top issues for the manager, the budget, risk areas, fraud risks, significant changes, communication, disaster recovery, and if the area had prior audit findings.

Once the assessment questionnaires were complete the risks were analyzed. The risks with reoccurring themes throughout the questionnaires were scored and the highest risks were included in the report.

Vulnerabilities

1. Information Technology
2. Disaster Recovery

3. Communication
4. Human Resources
5. Lack of Procedures
6. Oversight of Counties

Focus of review

The risk assessment did not focus in one specific area but looked throughout the department for input regarding Management's observations of areas of risk.

Audits performed

The OAC has performed four internal audits within the last two years along with audit follow-up and a special assignment. The audits were in the following areas: Contracts, State Disbursement Reconciliations, Filing Federal Claims and Non-Sufficient Funds Process Review. The following audits are in process: Refund Process to Participants and Revolving Fund.

In addition, OAC has performed over 58 Trust Fund close out audits of all counties within the state as part of Assembly Bill 739, Chapter 387, Statutes of 2003, Section 17311.7, required compliance to ensure timely close out of the process.

The OAC works with the Bureau of State Audits, Office of Inspector General, U.S. Department of Health and Human Services, and the Department of Finance regarding their audit work with the department.

Audit finding status

A follow-up audit was performed on all prior audit findings. These findings remained from the prior Bureau of State Audits and the FISMA of 2007. The OAC began with the 59 audit findings in 2008 and all but eight of these findings have been resolved. The remaining findings have been incorporated into our risk assessment.

Evaluation of Risks and Controls:

Issue 1: *Child Support Enforcement System (CSE)*

The new CSE system centralized the reporting of 58 counties into a single management system. This new technology enables over 10,000 system users to access the centralized child support database. While the achievement of implementing this system has been recognized by both the Federal Government and the State, the new system continues to have many challenges ahead. A risk exposure for the Department continues to exist in the following areas:

A. Lack of IT Risk Assessment and IT Audits of controls

According to Government Code 4800, 5308 and 20000, each agency that employs information technology must establish a risk analysis process to identify and assess risks associated with its information assets and define a cost-effective approach to managing such risks. This includes not only security but the operational integrity of information as well. Another factor that adds to the risk of the department's IT system is that no audits have been done on any of the current system. This increases the risk of data loss, data corruption, and unauthorized access. Management should perform a risk assessment which includes the following areas:

- *Application Controls* – IT application or program controls are fully-automated (i.e., performed automatically by the system) designed to ensure the complete and accurate processing of data, from input through output. These controls vary based on the business purpose of the specific application. These controls may also help ensure the privacy and security of data transmitted between applications.
- *General Controls* – IT general control audits represent the foundation of the IT control structure. They help ensure the reliability of data generated by the IT system and support the assertion that the system operates as intended and that output is reliable.

These risks should be followed up with Information Technology Audits that will address the control issues.

Corrective Action:

The Department recognizes the criticality of this issue and has placed this as a priority and will be looking at both internal and external resources to mitigate this risk.

B. Lack of control of access to CSE

Access to child support data is not adequately controlled. There are over 10,000 users of the information systems; however access to the CSE system is not adequately segregated.

- A. The State Disbursement Service Provider has the capability to open cases, review confidential information, and take direct deposit information; change addresses, deletes payments and has full access to the disbursement engine.
- B. The State Disbursement Operations Area, Non-Sufficient Funds Unit, has the ability to back out collections and pull back collection and collect payments.
- C. The Local Child Support Agencies (LCSAs) are given access based on their local system administrator. These access rights are assigned at the local level without any oversight by the state. Currently, over 200 local

agency case workers have disbursement functions even though disbursements are no longer processed at the LCSA level.

In all three areas there exists a conflict of duties and inadequate segregation of duties which should be remedied to protect the integrity of the data.

CSE does not have the capability to monitor and identify transaction logging in some areas or establish security profiles for users. In addition, CSE has a lack of available reports to review and monitor unauthorized modifications and access to child support data and without this tool data confidentiality and integrity may be compromised.

Corrective Action:

The ISO, LCSAs, and DCSS Accounting continue to work with the Information Technology area to set up security profiles and logging information to document all transactions affecting access to the CSE system.

C. CSE Migration

The Department recognizes the risks associated with transitioning the Child Support Enforcement (CSE) system and Maintenance & Operations staffing services. In an effort to mitigate risks, the Department has formed a partnership with the Office of Technology Services (OTech) to successfully migrate the system to the State Data Center. The Department's CCSAS Project Leader has both the business and technical skills necessary to lead the transition with the support of a team that also has experience migrating systems. The CCSAS Procurement Office has experienced professionals that have conducted multiple procurements including contract management throughout their careers. The Department continues to have support from Agency, Office Chief Information Officer (OCIO), DOF, and our Federal Partners (Office of Child Support Enforcement).

Corrective Action:

The Corrective Action Plan includes multiple teams identifying, managing, and mitigating risks and issues. It includes weekly, bi-weekly, and monthly communication with Agency, OTech, OCIO, DOF, and our Federal Partners. Each team manages to a schedule which includes a process for escalating schedule slippage.

Issue 2: Disaster Recovery

In some instances some Managers and/or their staff were unaware of the business continuity or disaster recovery plan for the department. This is a state requirement that the plan be in place and that staff are aware of their roles. This places the Department at high risk in terms of not only safety of staff by continuity of the business operations.

Corrective Action:

The ISO, Disaster Recovery Unit, will continue to meet with Department staff to ensure a basic understanding of their roles during a disaster recovery or business continuity incident.

Issue 3: *Lack of procedures*

Many areas within the Department continue to lack policies, procedures and desk procedures. The risk is that procedures may be performed incorrectly or if a key dependency exists with one employee their replacement may not have adequate procedures to perform the same function. The employees within the Department do not have the ability to document and train without processes, policies and procedures in place. In some instances OAC has found employees utilizing outdated procedures. This could affect the quality and quantity of work being performed and possibly impact the achievement of objectives for the division and the department.

Corrective Action:

The Department continues to work on completing procedures for all areas.

Issue 4: *Lack of good communication*

The Department should work on establishing better communication throughout the divisions regarding the responsibilities and duties of all areas. In many instances, when a new problem or initiative occurs it is often not clear to the parties involved who has primary responsibility. Further, information is not always shared openly and/or timely. Without a clear organizational identity and understanding of the roles each area plays, the department's objectives may be impacted.

Corrective Action:

A new strategic plan has been developed and is being presented to the entire Department. This plan will lay out more clearly the responsibilities and roles of all areas and units within the Department. Furthermore, the Department will be consolidating three buildings into two which will assist in facilitating better communication between staff.

Issue 5: *Human Resources*

The Human Resources Branch needs to address several areas that affect the Department including; a plan to decrease staff turnover, succession planning and consistent completion of employee separation packages. These areas have had findings in the past and more needs to be done to improve the current situation.

A. Turnover and Succession Planning

Resolving the areas of reducing turnover and succession planning will become extremely important within the next five years. It is estimated that 50 percent of managers and up to 35 percent of state employees plan on retiring. This is viewed as a complex area which requires input and action from all managerial

staff. The Human Resources Branch should take the lead and initiate a department-wide strategy.

B. Separation of Employees

Completing the process of the separation of employees is a process that needs to be performed accurately and timely to ensure the employee has returned all funds and equipment owed to the department and timely termination of IT and building access. The Branch does not consistently complete separation packages and perform the complete process for all employees leaving the department. The risk concerns loss of assets to the department and the lack of ability to safeguard Department assets.

Corrective Action:

The department is working with the Human Resources area to ensure all the issues are resolved. Some of these issues require input from other areas of management for resolution, such as reducing turnover, succession planning and a more streamlined separation process.

Issue 6: Oversight of Local Child Support Agencies

The Bureau of State audits has found that the department does not provide adequate oversight of the counties. The counties receiving program funds for the Title IV-D program have not had enough departmental oversight of their claiming process. The state has performed Trust Fund Close Out Audits and limited claim audits but not enough oversight of allowable costs has been performed to satisfy federal requirements. This is important considering the number of findings and instances of lack of internal controls that have been found during the audits noted above. A thorough review should be made of the status of their internal controls and their claim process including the cash walk-in payments process to ensure the Federal and State funds are being used appropriately and the state is performing their oversight responsibility.

Furthermore, there exists a very limited approval process for any claims filled by the counties for funds spent on the child support program. The form required to be filled out by the counties has very limited detail and most categories are provided on a lump sum basis. The Department should improve the form and filing process to ensure more detail is given to ensure the validity of the expenses claimed by the counties.

Corrective Action:

The OAC has developed a new audit plan to monitor and correct audit issues regarding the counties 356 claim reporting. This plan hopes to accomplish 12 desk audits and field audits within a year time period. The department plans to work on improving the current form in use to require more detail on the part of the counties when filing their claims.

CONCLUSION:

The department is in full compliance with all statutory obligations and state requirements for adequate internal controls. The Department has worked to improve the status of controls within the last two years. The department has cleared all but 8 audit findings and has implemented a department wide risk assessment process to identify any weaknesses. The department continues to improve and correct control deficiencies as they arise and continues to be vigilant to resolve these in a timely fashion.